

**CEDAR SPRINGS
PUBLIC SCHOOLS**
Kent and Newaygo Counties, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2006

CEDAR SPRINGS PUBLIC SCHOOLS
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For the year ended June 30, 2006

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

September 22, 2006

The Board of Education
Cedar Springs Public Schools

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Cedar Springs Public Schools (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds and the aggregate remaining fund information of Cedar Springs Public Schools as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006 on our consideration of Cedar Springs Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Cedar Springs Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

As management of the Cedar Springs Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2006</u>	<u>2005</u>
Assets		
Current assets	\$ 8,753,474	\$ 16,738,245
Capital assets, net book value	<u>56,941,578</u>	<u>54,397,800</u>
Total Assets	<u>65,695,052</u>	<u>71,136,045</u>
Liabilities		
Current liabilities	6,545,962	8,804,661
Long-term liabilities	<u>59,377,842</u>	<u>59,652,901</u>
Total Liabilities	<u>65,923,804</u>	<u>68,457,562</u>
Net Assets		
Invested in capital assets, net of related debt	(3,005,658)	(650,590)
Restricted	(172,705)	(137,967)
Unrestricted	<u>2,950,611</u>	<u>3,467,040</u>
Total Net Assets	<u>\$ (228,752)</u>	<u>\$ 2,678,483</u>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

The Statement of Activities presents changes in net assets from operating results:

	2006	2005
Program Revenues		
Charges for services	\$ 1,152,889	\$ 1,034,975
Operating grants	4,782,856	4,598,886
General Revenues		
Property taxes	5,114,426	4,810,776
State school aid, unrestricted	22,280,087	21,426,034
Interest and investment earnings	(130,473)	194,163
Gain (loss) on sale of capital assets	(133,611)	
Other	180,973	209,689
Total Revenues	33,247,147	32,274,523
Expenses		
Instruction	20,177,227	17,860,929
Supporting services	11,290,702	9,171,162
Community services	321,820	243,358
Food service	1,118,381	1,007,712
Athletics	649,998	602,855
Other	-	12,884
Interest on long-term debt	2,596,254	2,739,229
Total Expenses	36,154,382	31,638,129
Increase (decrease) in net assets	(2,907,235)	636,394
Net Assets - Beginning of Year	2,678,483	2,042,089
Net Assets - End of Year	\$ (228,752)	\$ 2,678,483

Financial Analysis of the District as a Whole

The District's total revenues increased 3% to \$33.2 million. Unrestricted state aid accounted for 67% of the total revenue. Property taxes accounted for 15% of the total revenue. The remaining 18% of revenues came from state and federal grants for specific programs and other local sources.

The majority of the increase in revenue (\$972,624) is attributed to the County-wide special education enhancement millage passed through to the District and gradual increases in property taxes, enrollment and unrestricted state aid.

The total cost of all programs and services increased 14.3% (\$4,516,253) to \$36.2 million. The majority of the increase was in the area of capital improvements. Other operational areas experienced reductions in expenditures so the District could maintain its focus on instruction.

In total, the District's expenses exceeded revenues by \$2,907,235.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Cedar Springs Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$28,846,266, total expenditures of \$29,071,571, and total other financing uses of \$367,600. The District's General Fund ended the fiscal year with a fund balance of \$3,165,463. The ending fund balance is down \$592,905 from the June 30, 2005 fund balance of \$3,758,368. The June 30, 2005 Fund balance included \$800,000 designated for the opening of a new Middle School in 2005/2006. During the current year the District used \$585,000 of the designated fund balance for the opening of the new Middle School. The remaining \$215,000 of Designated Fund Balance is planned to be expended during 2006/2007.

2003 Construction Fund

The District's ongoing \$38 million improvement project is funded by bonds issued in February, 2003 and accounted for in the 2003 Construction Fund. Current year losses due to maturing investments totaled \$(177,847) and ongoing construction/equipment expenditures totaled \$5,480,194, leaving a remaining fund balance at June 30, 2006 of \$499,659 with which to complete the project.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Nonmajor Funds

Special Revenue Funds

The District operates five Special Revenue Funds. The funds are for food service, athletics, child care, preschool and a school store. Total revenues and other financing sources were \$1,796,491, with total expenditures of \$1,999,733. The ending fund balances were \$244,602. Of the ending fund balances, \$98,027 is attributable to the Food Service Fund, \$116,908 to Athletics, \$5,487 to Enrichment Childcare, \$20,777 to Enrichment Preschool, and \$3,403 to the School Store.

Debt Service Funds

The District operates four Debt Service Funds (1998, 2003, 2006 and Durant). Total revenues were \$3,318,269, total expenditures were \$4,319,440, and total other financing sources were \$966,723. The ending fund balances in the Debt Service Funds total \$223,526.

Capital Projects Funds

There are two nonmajor Capital Projects Funds incorporated into the financial statements of the District, the 1995 Construction Fund and the Durant Construction Fund. The combined revenues were \$42 and expenditures were zero. The ending fund balances total \$3,429.

Fiduciary Funds

The Student Activity Fund and the Scholarship Funds are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2006 totaled \$210,397.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget three times to comply with Michigan Department of Education guidelines. These budget amendments fall into the following categories:

- Changes made in October to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year.
- Changes made in January to account for minor revenue changes, reflect actual beginning fund balance, and reallocate expenditures to various functions.
- Final changes made in June for budgetary adjustments to best estimates of actual expenditures, and to reflect a onetime increase to revenue for reimbursement from the State of Michigan for special education transportation expenditures incurred during the 2005-2006 fiscal year.

Although the District's final budget for the General Fund anticipated that expenditures would exceed revenue by roughly \$700,562, the actual results for the year show expenditures exceeded revenue by \$592,905. This was a result of revenue coming in slightly higher than budgeted. The actual revenue variance was .05%.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Capital Asset and Debt Administration

Capital Assets

By the end of 2006, the District had invested \$70.8 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. This amount represents a net increase of \$3.8 million from last year. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$1,781,890.

The District's fiscal year 2007 capital budget projects spending another \$500,000 for capital projects, principally in the following area:

- To complete the new facilities for the Middle School, additions to Redhawk Elementary, and improvements to the Hilltop Administrative offices.

At June 30, 2006, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$56.9 million. This represents an increase of approximately \$2.5 million over the previous year-end. The net book value of District capital assets is detailed in the following schedule:

Land	\$ 893,561
Land improvements	341,726
Buildings and additions	54,375,345
Furniture and equipment	366,274
Vehicles	<u>964,672</u>
Net Capital Assets	<u><u>\$ 56,941,578</u></u>

Long-Term Debt

At year end, the District had \$61.6 million in general obligation bonds and other long-term debt outstanding – a decrease of \$411,000 from last year.

- The District continued to pay down its debt, retiring \$8.9 million of outstanding bonds, loans and leases.
- The District has obtained a total of \$7.2 million from the Michigan School Bond Loan Fund for payment of annual maturities of its general obligation bonds as of June 30, 2006. The District borrowed \$1.3 million during the fiscal year to meet bond obligation which is included in the \$7.2 million. The District is not required to make payments to the Michigan School Bond fund until the taxable value of the District increases to a point where it is able to make the debt payments and has funds available.

The District's bond rating for General Obligation, Unlimited Tax debt remains "Aa3". The District's rating for General Obligation, Limited Tax debt remains "A1". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. The District's other obligations include early retirement incentive and accumulated sick leave. We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment is projected to grow at approximately 2% per year for the foreseeable future.
- The District has two bargaining units. The certified staff has a contract in place through August 2008. The support personnel contract is in place through August 2007.
- The economy is still weak and not showing signs of improving at the State level for next year. This is causing some financial struggles at the State level. This may negatively impact local districts with mid year funding reduction again in 2006-07.
- The District is in the process of developing cost savings initiatives for the 2007-2008 fiscal years.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Assistant Superintendent of Administrative Services, Cedar Springs Public Schools, 204 E. Muskegon, Cedar Springs, 49319. Contact by e-mail frank.verhoven@csredhawks.org.

BASIC FINANCIAL STATEMENTS

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2006

Assets	Governmental Activities
Current Assets	
Cash	\$ 2,127
Cash equivalents, deposits and investments (Note B)	3,013,282
Taxes receivable (Note C)	48,710
Accounts receivable	2,021
Due from other governmental units (Note C)	4,958,261
Inventory (Note A)	25,294
Prepaid expenses	703,779
Total Current Assets	8,753,474
Noncurrent Assets	
Capital assets (Note E)	70,840,045
Less accumulated depreciation	(13,898,467)
Total Noncurrent Assets	56,941,578
Total Assets	65,695,052
Liabilities	
Current Liabilities	
Accounts payable	156,051
State aid anticipation note payable (Note F)	1,400,000
Due to other governmental units	733,665
Payroll withholdings payable	8,066
Accrued interest payable	460,880
Salaries payable	1,434,800
Deferred revenue	136,892
Current portion of long term obligations	2,215,608
Total Current Liabilities	6,545,962
Noncurrent Liabilities (Notes A, G)	
General obligation bonds payable	53,040,000
Durant non-plaintiff bonds payable	352,659
State school bond loan payable	7,200,230
Installment purchase agreements payable	505,447
Early retirement incentive	169,239
Accumulated sick leave	325,875
Current portion of long term obligations	(2,215,608)
Total Noncurrent Liabilities	59,377,842
Total Liabilities	65,923,804
Net Assets	
Invested in capital assets, net of related debt	(3,005,658)
Restricted for:	
Debt service	(177,134)
Capital projects	3,429
Unrestricted	2,950,611
Total Net Assets	\$ (228,752)

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes In Net Assets
Governmental Activities				
Instruction	\$ 20,177,227	\$ 5,265	\$ 3,556,295	\$(16,615,667)
Supporting services	11,290,702	241,103	667,536	(10,382,063)
Community services	321,820	243,120	28,221	(50,479)
Food service	1,118,381	512,427	488,862	(117,092)
Athletics	649,998	150,974	-	(499,024)
Interest on long-term debt	2,596,254	-	41,942	(2,554,312)
Total Governmental Activities	<u>\$ 36,154,382</u>	<u>\$ 1,152,889</u>	<u>\$ 4,782,856</u>	<u>(30,218,637)</u>
General Revenues				
Taxes:				
Property taxes, levied for general operations				1,861,117
Property taxes, levied for debt service				3,253,309
State school aid, unrestricted				22,280,087
Interest and investment earnings				(130,473)
Gain (loss) on sale of capital assets				(133,611)
Other				180,973
Total General Revenues				<u>27,311,402</u>
Change in Net Assets				(2,907,235)
Net Assets - Beginning of Year				<u>2,678,483</u>
Net Assets - End of Year				<u>\$ (228,752)</u>

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2006

	General	2003 Construction	Nonmajor	Total
Assets				
Cash	\$ 1,280	\$ -	\$ 847	\$ 2,127
Cash equivalents, deposits and investments (Note B)	1,939,452	569,147	504,683	3,013,282
Taxes receivable (Note C)	35,660	-	13,050	48,710
Accounts receivable	303	-	-	303
Due from other funds (Note D)	143,413	-	214,022	357,435
Due from other governmental units (Note C)	4,957,525	-	736	4,958,261
Inventory (Note A)	20,084	-	5,210	25,294
Prepaid expenditures	52,338	-	-	52,338
Total Assets	<u><u>\$7,150,055</u></u>	<u><u>\$ 569,147</u></u>	<u><u>\$ 738,548</u></u>	<u><u>\$8,457,750</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 81,492	\$ 66,812	\$ 7,247	\$ 155,551
State aid anticipation note payable (Note F)	1,400,000	-	-	1,400,000
Due to other funds (Note D)	112,740	2,676	240,801	356,217
Due to other governmental units	733,665	-	-	733,665
Payroll withholdings payable	8,066	-	-	8,066
Accrued interest payable	47,170	-	-	47,170
Salaries payable	1,428,907	-	5,893	1,434,800
Deferred revenue	172,552	-	13,050	185,602
Total Liabilities	<u><u>3,984,592</u></u>	<u><u>69,488</u></u>	<u><u>266,991</u></u>	<u><u>4,321,071</u></u>
Fund Balances				
Reserved for:				
Debt service	-	-	223,526	223,526
Capital outlay	-	499,659	3,429	503,088
Unreserved:				
Designated	215,000	-	-	215,000
Undesignated, reported in:				
General fund	2,950,463	-	-	2,950,463
Special revenue funds	-	-	244,602	244,602
Total Fund Balances	<u><u>3,165,463</u></u>	<u><u>499,659</u></u>	<u><u>471,557</u></u>	<u><u>4,136,679</u></u>
Total Liabilities and Fund Balances	<u><u>\$7,150,055</u></u>	<u><u>\$ 569,147</u></u>	<u><u>\$ 738,548</u></u>	<u><u>\$8,457,750</u></u>

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total governmental fund balances			\$ 4,136,679
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$70,840,045 and accumulated depreciation is \$13,898,467.			
			56,941,578
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.			
			651,441
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
General obligation bonds		\$(53,040,000)	
Durant non-plaintiff bonds		(352,659)	
State school bond loan		(7,200,230)	
Installment purchase agreements		(505,447)	
Early retirement incentive		(169,239)	
Accumulated sick leave		(325,875)	
		<u>(61,593,450)</u>	
Accrued interest is not included as a liability in governmental funds.			
			(413,710)
Deferred revenue recognized as revenue in the full accrual statements:			
Property taxes			<u>48,710</u>
Total net assets - governmental activities			<u><u>\$ (228,752)</u></u>

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	General	2003 Construction	Nonmajor	Total
Revenues				
Local sources	\$2,342,348	\$ (177,847)	\$4,188,177	\$ 6,352,678
State sources	22,952,374	-	131,528	23,083,902
Federal sources	1,115,825	-	427,497	1,543,322
Interdistrict sources	2,435,719	-	-	2,435,719
Total Revenues	<u>28,846,266</u>	<u>(177,847)</u>	<u>4,747,202</u>	<u>33,415,621</u>
Expenditures				
Current:				
Instruction	16,912,851	-	-	16,912,851
Supporting services	9,894,575	-	1,862	9,896,437
Community services	-	-	321,820	321,820
Food service	-	-	1,103,247	1,103,247
Athletics	-	-	572,804	572,804
Capital outlay	103,853	5,480,194	-	5,584,047
Debt service:				
Principal repayment	-	-	1,858,910	1,858,910
Interest and fiscal charges	11,908	-	2,342,366	2,354,274
Bond issuance costs	-	-	80,739	80,739
Underwriter's discount	-	-	37,425	37,425
Interdistrict	2,148,384	-	-	2,148,384
Total Expenditures	<u>29,071,571</u>	<u>5,480,194</u>	<u>6,319,173</u>	<u>40,870,938</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(225,305)</u>	<u>(5,658,041)</u>	<u>(1,571,971)</u>	<u>(7,455,317)</u>
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	7,485,000	7,485,000
Bond premium	-	-	424	424
Loan proceeds	-	-	1,030,000	1,030,000
Transfers in	-	-	367,600	367,600
Payments to escrow agent	-	-	(7,548,701)	(7,548,701)
Transfers out	(367,600)	-	-	(367,600)
Total Other Financing Sources (Uses)	<u>(367,600)</u>	<u>-</u>	<u>1,334,323</u>	<u>966,723</u>
Net Change in Fund Balances	(592,905)	(5,658,041)	(237,648)	(6,488,594)
Fund Balances, Beginning of Year	<u>3,758,368</u>	<u>6,157,700</u>	<u>709,205</u>	<u>10,625,273</u>
Fund Balances, End of Year	<u><u>\$3,165,463</u></u>	<u><u>\$ 499,659</u></u>	<u><u>\$ 471,557</u></u>	<u><u>\$ 4,136,679</u></u>

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2006

Net change in fund balances - total governmental funds \$ (6,488,594)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$ 4,459,280	
Depreciation expense	<u>(1,781,890)</u>	2,677,390

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (34,864)

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (133,611)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (8,766,156)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. 651,441

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities:
 Repayment of bonds 8,873,910

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 9,177

In the Statement of Net Assets, severance pay, early retirement incentive, and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$358,772) exceeded the amounts earned (\$54,700). 304,072

Total changes in net assets - governmental activities \$ (2,907,235)

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,262,745	\$ 2,393,044	\$ 2,342,348	\$ (50,696)
State sources	22,631,169	22,863,105	22,952,374	89,269
Federal sources	1,160,972	1,172,623	1,115,825	(56,798)
Interdistrict sources	2,226,582	2,241,010	2,435,719	194,709
Total Revenues	28,281,468	28,669,782	28,846,266	176,484
Expenditures				
Current:				
Instruction:				
Basic programs	12,667,155	13,111,996	13,348,898	(236,902)
Added needs	4,718,719	3,875,807	3,563,953	311,854
Supporting services:				
Pupil services	841,266	1,024,983	1,053,498	(28,515)
Instructional staff services	1,284,846	1,421,940	1,254,835	167,105
General administrative services	606,278	548,975	603,965	(54,990)
School administrative services	2,118,908	2,106,368	1,603,196	503,172
Business services	1,251,065	651,514	666,478	(14,964)
Operation and maintenance services	2,684,009	2,758,256	2,673,642	84,614
Pupil transportation services	1,831,192	1,092,019	1,153,735	(61,716)
Central services	93,525	196,140	885,226	(689,086)
Capital outlay	-	337,646	103,853	233,793
Debt service:				
Interest and fiscal charges	-	-	11,908	(11,908)
Interdistrict	416,432	1,877,100	2,148,384	(271,284)
Total Expenditures	28,513,395	29,002,744	29,071,571	(68,827)
Excess (Deficiency) Of Revenues Over Expenditures	(231,927)	(332,962)	(225,305)	107,657
Other Financing Sources (Uses)				
Transfers out	(367,600)	(367,600)	(367,600)	-
Net Change in Fund Balances	(599,527)	(700,562)	(592,905)	107,657
Fund Balances, July 1	3,758,368	3,758,368	3,758,368	-
Fund Balances, June 30	\$ 3,158,841	\$ 3,057,806	\$ 3,165,463	\$ 107,657

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2006

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 42,975	\$ 151,793
Accounts receivable	-	15,129
Due from other funds (Note D)	-	500
Total Assets	<u>\$ 42,975</u>	<u>\$ 167,422</u>
Liabilities		
Due to other funds (Note D)	-	\$ 1,718
Due to student groups	-	165,704
Total Liabilities	<u>\$ -</u>	<u>\$ 167,422</u>
Net Assets		
Held in trust for:		
Individuals and organizations	<u>\$ 42,975</u>	

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2006

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 827
Donations	2,824
	<hr/>
Total Additions	3,651
	<hr/>
Deductions	
Endowment activities - scholarships	2,000
	<hr/>
Change In Net Assets	1,651
	<hr/>
Net Assets, Beginning of Year	41,324
	<hr/>
Net Assets, End of Year	\$ 42,975
	<hr/> <hr/>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Note A – Summary of Significant Accounting Policies

Cedar Springs Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,476 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, preschool programs, athletic activities, special education, vocational education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Cedar Springs Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2003 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Athletic, Enrichment Child Care and Enrichment Preschool Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Cedar Springs Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Cedar Springs Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Severance Pay/Early Retirement Incentive/Accumulated Sick Leave

Severance pay, early retirement incentive and accumulated sick leave at June 30, 2006 have been computed and recorded in the basic financial statements of the District. District employees eligible to retire are entitled to a payment based on their unused sick days, level of compensation, and years of service. At June 30, 2006, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for severance pay, early retirement incentive and accumulated sick leave amounted to \$0, \$169,239 and \$325,875, respectively.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Balances at June 30, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 3,013,282
Fiduciary Funds:	
Agency Fund	<u>194,768</u>
	<u><u>\$ 3,208,050</u></u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Independent Bank
2. Choice One Bank
3. Fifth Third Bank
4. Chase J.P. Morgan Bank, N.A.

Cash equivalents and deposits consist of bank public funds checking and savings accounts and certificates of deposit.

June 30, 2006 balances are detailed as follows:

Cash equivalents	\$ 2,607,661
Deposits	<u>30,330</u>
	<u><u>\$ 2,637,991</u></u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$2,637,991 and the bank balance was \$3,366,960. Of the bank balance, \$183,950 was covered by federal depository insurance and \$3,183,010 was uninsured.

Investments

As of June 30, 2006 the District had the following investments:

	<u>Fair Value</u>
Investment Pool Accounts:	
Bank of New York	\$ 569,074
Michigan Liquid Asset Fund	<u>985</u>
	<u><u>\$ 570,059</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the Bank of New York and Michigan Liquid Asset Fund investment pools were unrated.

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District's investment policy places no restrictions on the percentage that may be invested in any one type of securities.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2005 ad valorem State Education Taxes generated within the Cedar Springs Public School District, and paid to the State of Michigan, totaled \$2,743,496.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2005 and September 2005. The 2005-06 "Foundation Allowance" for Cedar Springs Public Schools was \$6,895 for 3,466 "Full Time Equivalent" students, generating \$22,914,198 in state aid payments to the District of which \$4,151,281 was paid to the District in July and August, 2006 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the district.

Property taxes for the District are levied July 1 by the City of Cedar Springs and the Townships of Algoma, Courtland, Nelson, Oakfield, Solon, Spencer and Ensley. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Kent and Newaygo, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Tax Year	General Fund	Debt Service Funds	Total
2005	\$ 4,206	\$ 1,818	\$ 6,024
2004	10,269	3,609	13,878
2003	21,185	7,623	28,808
	<u>\$ 35,660</u>	<u>\$ 13,050</u>	<u>\$ 48,710</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Cedar Springs Public Schools' electors (June 8, 1998) approved an operating millage extension, the 18 mill non-homestead property tax was levied.

The District levied 7.0 mills in 2005 for debt service purposes, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases are limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Due From (To) Other Funds/Interfund Transfers

Amounts due from (to) other funds representing interfund receivables and payables from property tax revenue allocations and expenditures not yet reimbursed at June 30, 2006, are detailed as follows:

	Due From	Due To
General Fund		
Special Revenue Funds:		
Food Service Fund	\$ 102,427	\$ 11,956
Athletics Fund	13,784	90,701
Enrichment Childcare Fund	25,042	—
Enrichment Preschool Fund	117	—

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

	<u>Due From</u>	<u>Due To</u>
General Fund		
Debt Service Funds:		
1995 Debt Service Fund	\$ —	\$ 3,056
2003 Debt Service Fund		6,529
Capital Projects Funds:		
2003 Construction Fund	327	—
Fiduciary Funds:		
Student Activities Fund	1,718	500
	<hr/>	<hr/>
Total General Fund	143,413	112,742
Special Revenue Funds		
Food Service Fund:		
General Fund	11,956	102,427
Athletics Fund:		
General Fund	90,701	13,784
Capital Projects Funds:		
2003 Construction Fund	2,349	—
Enrichment Childcare Fund:		
General Fund	—	25,042
Enrichment Preschool Fund:		
General Fund	—	117
	<hr/>	<hr/>
Total Special Revenue Funds	105,006	141,370
Debt Service Funds		
1995 Debt Service Fund:		
General Fund	3,056	—
2003 Debt Service Fund	99,331	—
2003 Debt Service Fund:		
General Fund	6,529	—
1995 Debt Service Fund	—	99,331
2006 Debt Service Fund	100	
2006 Debt Service Fund:		
2003 Debt Service Fund	—	100
	<hr/>	<hr/>
Total Debt Service Funds	109,016	99,431
Capital Projects Funds		
2003 Construction Fund:		
General Fund	—	327
Special Revenue Funds:		
Athletics Fund	—	2,349
	<hr/>	<hr/>
Total Capital Projects Funds	—	2,676
Fiduciary Funds		
Student Activities Fund:		
General Fund	500	1,718
	<hr/>	<hr/>
Total All Funds`	\$ 357,935	\$ 357,935
	<hr/>	<hr/>

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Interfund transfers during the year ended June 30, 2006 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Special Revenue Funds:		
Athletics Fund	\$ —	\$ 367,600
Special Revenue Fund		
Athletics Fund:		
General Fund	367,600	—
Total All Funds	<u>\$ 367,600</u>	<u>\$ 367,600</u>

The General Fund transfer to the Athletics Fund was made to pay for the General Fund's share of support for the athletic program for the fiscal year.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balances July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2006</u>
Capital assets not depreciated:				
Land	\$ 893,561	\$ —	\$ —	\$ 893,561
Construction in progress	19,233,122	—	19,233,122	
Capital assets being depreciated:				
Land improvements	918,922	48,462	—	967,384
Buildings and additions	43,050,171	23,072,513	275,315	65,847,369
Furniture and equipment	675,672	270,372	—	946,044
Vehicles	2,296,260	301,055	411,628	2,185,687
Totals at historical cost	<u>67,067,708</u>	<u>\$23,692,402</u>	<u>\$19,920,065</u>	<u>70,840,045</u>
Less accumulated depreciation for:				
Land improvements	\$ 588,034	\$ 37,624	\$ —	\$ 625,658
Buildings and additions	10,152,603	1,464,324	144,904	11,472,024
Furniture and equipment	488,680	91,090	—	579,770
Vehicles	1,440,591	188,852	408,428	1,221,015
Total accumulated depreciation	<u>12,669,908</u>	<u>\$ 1,781,890</u>	<u>\$ 553,332</u>	<u>13,898,467</u>
Net Capital Assets	<u>\$ 54,397,800</u>			<u>\$ 56,941,578</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,346,592
Supporting services	342,970
Food service	15,134
Athletics	77,194
	<u>77,194</u>
	<u>\$ 1,781,890</u>

Note F – Short Term Debt

The September 1, 2004 state aid anticipation loan of \$1,500,000 was repaid in full on August 22, 2005. On October 5, 2005, the District borrowed \$1,400,000 at 3.40% due in full on August 22, 2006. Interest expense on the two loans totaled \$37,123 for the fiscal year.

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2006 are summarized as follows:

	General Obligation Bonds	State School Bond Loan	Installment Purchase Agreements Payable	Severance Pay/Early Retirement/ Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 223,526	\$ —	\$ —	\$ —	\$ 223,526
Amounts To Be Provided For Retirement Of Long-Term Debt					
State of Michigan	352,659	—		—	352,659
General Fund	—	—	505,447	495,114	1,000,561
Debt Service Funds	52,816,474	7,200,230		—	60,016,704
Total Amounts Available and To Be Provided	<u>\$ 53,392,659</u>	<u>\$ 7,200,230</u>	<u>\$ 505,447</u>	<u>\$ 495,114</u>	<u>\$ 61,593,450</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Changes in long-term debt for the year ended June 30, 2006 are summarized as follows:

	Debt Outstanding July 1, 2005	Debt Added	Debt Retired	Debt Outstanding June 30, 2006
General obligation bonds:				
February 24, 1998	\$ 19,125,000	\$ —	\$ 90,000	\$ 19,035,000
February 12, 2003	35,275,000	—	8,755,000	26,520,000
March 21, 2006	—	7,485,000	—	7,485,000
Durant non-plaintiff bonds:				
November 13, 1998	381,569	—	28,910	352,659
State school bond loan	5,919,074	1,281,156	—	7,200,230
Installment purchase agreements	505,447	—	—	505,447
Severance pay	2,375	—	2,375	—
Early retirement incentive	447,308	—	278,069	169,239
Accumulated sick leave	349,503	54,700	78,328	325,875
	<u>\$ 62,005,276</u>	<u>\$ 8,820,856</u>	<u>\$ 9,232,682</u>	<u>\$ 61,593,450</u>

Long-term bonds and installment purchase agreements at June 30, 2006 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$19,655M 1998 Refunding:				
Annual maturities of \$95M to \$1,230M	May 1, 2024	4.45 – 5.00	\$19,035,000	\$ 95,000
\$37,905M 2003 Building and Site and Refunding:				
Annual maturities of \$900M to \$1,790M	May 1, 2029	2.50 – 5.25	26,520,000	1,770,000
\$7,485 M 2006 Refunding:				
Annual maturities of \$20M to \$1,395M	May 1, 2032	4.00 – 4.375	7,485,000	—
Durant Non-plaintiff Bonds				
\$597M 1998 School Improvement:				
Annual maturities of 29M to 141M	May 15, 2013	4.761353	352,659	30,279
Installment Purchase Agreements Payable				
\$600,537 2004 School Buses:				
Annual maturities of \$101,090	Sep 15, 2010	2.91	505,447	101,090
			<u>\$53,898,106</u>	<u>\$1,996,369</u>

The District is required to obtain loans from the Michigan School Bond Loan fund for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District borrowed \$1,030,000 from the Fund and \$251,156 of accrued interest was added to the District's liability to the Fund. At June 30, 2006, the District owed the Fund a total of \$7,200,230.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2007	\$ 1,996,369	\$ 2,482,402	\$ 4,478,771
2008	2,017,817	2,394,578	4,412,396
2009	2,192,196	2,380,217	4,572,413
2010	2,160,909	2,252,277	4,413,187
2011	2,141,479	2,165,057	4,407,623
2012	2,233,214	2,071,088	4,304,302
2013	2,280,033	1,973,426	4,253,459
2014	2,340,000	1,868,357	4,208,357
2015	2,445,000	1,763,216	4,208,216
2016	2,545,000	1,637,877	4,182,877
2017	2,540,000	1,507,265	4,097,265
2018	2,530,000	1,374,902	3,954,902
2019	2,545,000	1,243,040	3,838,040
2020	2,540,000	1,127,241	3,702,241
2021	2,530,000	1,012,290	3,562,290
2022	2,520,000	888,302	3,428,302
2023	2,510,000	764,815	3,299,815
2024	2,500,000	641,615	3,166,615
2025	1,345,000	518,915	1,888,915
2026	1,345,000	450,602	1,820,602
2027	1,345,000	382,290	1,752,290
2028	1,345,000	313,977	1,688,977
2029	1,345,000	245,453	1,620,453
2030	1,345,000	177,784	1,552,784
2031	1,345,000	118,658	1,483,658
2032	1,345,000	59,282	4,097,265
	<u>\$ 53,898,106</u>	<u>\$ 31,814,926</u>	<u>\$ 85,713,032</u>

On March 21, 2006, the District issued \$7,485,000 in general obligation bonds with an average interest rate of 4.29043% to advance refund \$7,015,000 of outstanding 2003 general obligation bonds with an effective interest rate of 4.891%, resulting in a net present value savings of \$359,812. The net proceeds (\$7,548,276 after the District contribution of \$181,441 and payment of \$118,165 in underwriting fees, insurance and other issuance costs) were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2013). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$9,555,169 on the defeased debt at June 30, 2006 are detailed in the following schedule:

	<u>Cost</u>	<u>Market Value</u>	<u>Par Value</u>
U.S. Government Securities	\$7,371,964	\$7,241,008	\$9,426,000

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2006 was \$16,490,474. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 14.87% for the fiscal year ending September 30, 2005 and 16.34% for the fiscal year beginning October 1, 2005. The District's contributions to the plan for the fiscal years ended June 30, 2006, 2005 and 2004 were \$2,656,715, \$2,194,896 and \$2,016,938, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2004 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$46,317. The MPERS' net assets available for benefits on that date were \$38,784 leaving an unfunded pension benefit obligation of \$7,533. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2005 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

The total actuarial accrued liability (expressed as \$ in millions) increased by \$1,548 from September 30, 2003 to September 30, 2004. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

Post-employment benefits for health, dental and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note I – Risk Management and Benefits

The District maintains the Cedar Springs Public Schools Flexible Benefits Plan (the Plan). The Plan allows District employees to pay for certain medical expenses and dependent care expenses with before-tax income. In addition, depending on job classification, the Plan allows an employee the option of waiving health coverage and, instead, receiving additional compensation or other tax-free benefits. Also, if an employee is required to pay all or part of the cost of health coverage, the Plan allows the employee to pay this cost with before-tax income.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2006, as follows:

	Budget	Actual	Unfavorable Variance
General Fund	\$ 29,002,744	\$ 29,071,571	\$ 68,827
Special Revenue Funds:			
Food Service Fund	929,000	1,103,247	174,247
Athletics Fund	505,178	572,804	67,626
Enrichment Childcare Fund	195,000	246,293	51,293
Enrichment Preschool Fund	54,000	75,527	21,527

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Note K – Commitments

On February 12, 2003, the District issued \$34,420,000 of general obligation building and site bonds whose proceeds are being used for land purchases, building renovations and additions and furniture and equipment purchases. At June 30, 2006, unspent balances committed to these construction projects totaled approximately \$500,000, which are expected to be fully expended by the year ended June 30, 2007.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash	\$ 1,280	\$ 1,150
Cash equivalents, deposits and investments	1,939,452	3,637,808
Receivables:		
Taxes	35,660	60,014
Accounts	303	297
Due from other funds	143,413	106,233
Due from other governmental units	4,957,525	4,425,916
Inventory	20,084	23,472
Prepaid expenditures	52,338	37,785
Total Assets	<u><u>\$ 7,150,055</u></u>	<u><u>\$ 8,292,675</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 81,492	\$ 333,967
State aid anticipation note payable	1,400,000	1,500,000
Due to other funds	112,740	51,537
Due to other governmental units	733,665	593,383
Payroll withholdings payable	8,066	4,176
Accrued interest payable	47,170	26,163
Salaries payable	1,428,907	1,786,700
Deferred revenue	172,552	238,381
Total Liabilities	<u>3,984,592</u>	<u>4,534,307</u>
Fund Balances		
Unreserved:		
Designated for subsequent years expenditures	215,000	815,000
Undesignated	2,950,463	2,943,368
Total Fund Balances	<u>3,165,463</u>	<u>3,758,368</u>
Total Liabilities and Fund Balances	<u><u>\$ 7,150,055</u></u>	<u><u>\$ 8,292,675</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2006 and 2005

	2006	2005
Local sources:		
Property taxes:		
Current property taxes	\$ 1,852,795	\$ 1,742,246
Delinquent property taxes	11,895	6,083
Other property taxes	4,388	10,054
Interest on delinquent taxes	16,393	11,964
	<u>1,885,471</u>	<u>1,770,347</u>
Interest earnings:		
Interest on deposits and investments	33,781	25,026
Other local revenue:		
Adult/community education fees	1,020	-
Transportation fees	78,469	56,490
Universal service credit	26,232	14,599
Beverage consortium reimbursements	76,491	69,963
Indirect cost recovery	118,540	73,378
Rental of school facilities	17,890	7,042
Donations	14,941	1,275
Sale of vehicles	8,210	75,004
Insurance claims	44,527	3,539
Salary reimbursements	17,862	6,114
Refunds of prior years expenditures	-	40,962
Miscellaneous	18,914	11,904
	<u>423,096</u>	<u>360,270</u>
Total local sources	2,342,348	2,155,643
State sources:		
State aid	22,863,231	21,972,110
Driver education	-	7,387
Parents as teachers	10,939	2,007
Itinerant reimbursement	75,855	-
School improvement	2,349	2,349
	<u>22,952,374</u>	<u>21,983,853</u>
Total state sources		
Federal sources:		
Title I	266,675	320,950
Title IIA	123,713	130,281
Title IID	5,482	9,562
Title III	26,254	21,558
Title V	1,405	2,065
I.D.E.A. program	668,735	623,080
Medicaid - school based	10,052	1,310
Drug free schools	13,509	7,695
	<u>1,115,825</u>	<u>1,116,501</u>
Total federal sources		

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Interdistrict sources:		
Special education - county	\$ 1,480,256	\$ 1,377,436
Special education - tuition	-	1,194
Special education - shared costs	38,647	11,536
Special education - transportation	591,681	954,633
Durant settlement reimbursements	25,008	23,751
Medicaid fee for service	300,311	17,296
Career preparation	(184)	19,921
Other	-	13,826
Total interdistrict sources	<u>2,435,719</u>	<u>2,419,593</u>
Total Revenues	<u><u>\$ 28,846,266</u></u>	<u><u>\$ 27,675,590</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries:		
Teachers	\$ 4,316,070	\$ 3,351,703
Teaching assistants	275,625	200,674
Substitutes	127,503	116,502
Severance pay	8,000	-
Employee benefits:		
Employee insurance	1,032,341	728,285
Early retirement incentive	42,352	42,352
Retirement	762,212	536,595
Social Security	363,352	282,078
Cash in lieu of benefits	28,137	15,690
Workshops and conferences	5,123	3,309
Printing and binding	693	1,368
Teaching supplies	125,536	87,527
Textbooks	-	60,544
	<u>7,086,944</u>	<u>5,426,627</u>
Middle school:		
Salaries:		
Teachers	1,266,516	2,005,174
Teaching assistants	32,440	51,211
Substitutes	38,693	49,244
Other	5,699	5,091
Severance pay	21,050	-
Employee benefits:		
Employee insurance	330,895	470,731
Early retirement incentive	59,124	74,742
Retirement	217,821	309,346
Social Security	107,630	164,685
Cash in lieu of benefits	6,850	11,767
Local mileage	1,098	1,541
Workshops and conferences	272	-
Equipment repair and maintenance	1,390	2,563
Teaching supplies	45,297	19,053
Textbooks	19,911	8,408
New equipment and furniture	3,764	3,798
Dues and fees	895	590
	<u>2,159,345</u>	<u>3,177,944</u>
High school:		
Salaries:		
Teachers	2,344,817	2,072,304
Teaching assistants	77,547	61,673
Substitutes	74,741	61,274
Other	15,384	17,117
Severance pay	15,300	-
Employee benefits:		
Employee insurance	594,185	498,565
Early retirement incentive	87,341	146,983

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
High school: (Continued)		
Employee benefits: (Continued)		
Retirement	\$ 406,172	\$ 324,193
Social Security	198,747	175,361
Cash in lieu of benefits	9,270	4,118
Contracted services	8,588	7,405
Local mileage	1,997	1,074
Workshops and conferences	1,379	4,194
Postage and mailing	313	68
Printing and binding	1,128	1,389
Tuition	185	-
Equipment repair and maintenance	2,219	3,094
Teaching supplies	80,766	57,541
Textbooks	62,205	37,672
Periodicals	241	162
Other supplies and materials	2,121	5,226
Dues and fees	1,767	1,656
Miscellaneous	3,067	4,829
	<u>3,989,480</u>	<u>3,485,898</u>
Preschool:		
Salaries:		
Teachers	61,710	97,520
Teaching assistants	16,562	13,839
Employee benefits:		
Employee insurance	14,994	13,553
Retirement	12,636	15,955
Social Security	5,903	8,738
Workers' compensation insurance	173	273
Cash in lieu of benefits	-	3,059
Contracted services	-	434
Local travel	341	203
Workshops and conferences	-	50
Teaching supplies	810	1,693
	<u>113,129</u>	<u>155,317</u>
Total basic programs	13,348,898	12,245,786
Added needs:		
Special education:		
Salaries:		
Teachers	1,435,096	1,328,125
Teaching assistants	360,930	321,159
Substitutes	163	360
Employee benefits:		
Employee insurance	406,174	336,833
Retirement	286,071	242,661
Social Security	137,401	126,123
Workers' compensation insurance	1,326	879
Cash in lieu of benefits	15,066	14,124
Professional services	800	600

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Special education: (Continued)		
Local mileage	\$ 546	\$ 361
Telephone	651	659
Teaching supplies	18,879	11,477
Textbooks	2,857	7,162
New equipment and furniture	-	3,102
Miscellaneous	3,551	2,132
	<u>2,669,511</u>	<u>2,395,757</u>
Compensatory education:		
Salaries:		
Teachers	271,575	276,093
Teaching assistants	-	(679)
Substitutes	-	234
Employee benefits:		
Employee insurance	46,931	67,163
Early retirement incentive	17,783	20,183
Retirement	42,013	39,334
Social Security	21,172	21,887
Workers' compensation insurance	214	465
Local travel	63	200
Workshops and conferences	39,269	11,126
Teaching supplies	41,123	15,042
	<u>480,143</u>	<u>451,048</u>
Vocational education:		
Salaries:		
Teachers	255,293	272,957
Teaching assistants	6,827	-
Substitutes	150	-
Employee benefits:		
Employee insurance	57,518	50,972
Retirement	42,422	40,036
Social Security	19,921	21,006
Cash in lieu of benefits	1,854	5,099
Local mileage	922	566
Workshops and conferences	4,220	3,684
Teaching supplies	23,360	9,824
Textbooks	-	1,723
Miscellaneous supplies	-	2,552
New equipment and furniture	1,481	2,669
Dues and fees	331	525
	<u>414,299</u>	<u>411,613</u>
Total added needs	3,563,953	3,258,418
Supporting services:		
Pupil services:		
Guidance services:		
Salaries:		
Counselors	518,280	414,105
Clerical	30,139	29,954
Substitutes	7,216	5,652

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Guidance services: (Continued)		
Employee benefits:		
Employee insurance	\$ 99,929	\$ 78,613
Retirement	90,022	65,740
Social Security	43,624	34,968
Cash in lieu of benefits	14,719	7,483
Purchased services	4,566	-
Teaching supplies	-	665
	<u>808,495</u>	<u>637,180</u>
Occupational therapist services:		
Local travel	217	15
Psychological services:		
Severancy pay	8,650	-
Social Security	662	-
Teaching supplies	1,493	2,484
	<u>10,805</u>	<u>2,484</u>
Speech pathologists services:		
Speech pathologists salaries	3,388	-
Employee benefits:		
Early retirement incentive	48,501	48,501
Social Security	2,199	1,940
Other professional services	7,335	-
Teaching supplies	1,141	1,153
Miscellaneous supplies	193	363
	<u>62,757</u>	<u>51,957</u>
Social worker services:		
Workshops and conferences	175	-
Teaching supplies	301	270
	<u>476</u>	<u>270</u>
Teacher consultant services:		
Teacher consultants salaries	98,261	29,447
Employee benefits:		
Employee insurance	16,039	6,280
Retirement	15,841	4,314
Social Security	7,439	2,250
Purchased services	4,440	5,160
Local mileage	653	116
Teaching supplies	10,655	-
	<u>153,328</u>	<u>47,567</u>
Other pupil support services:		
Salaries:		
Teaching assistants	12,484	11,092
Clerical	-	7,682
Employee benefits:		
Employee insurance	-	941
Retirement	2,029	2,747
Social Security	955	1,435
Cash in lieu of benefits	-	120
Local travel	1,215	439

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Other pupil support services: (Continued)		
Telephone	\$ 179	\$ 544
Teaching supplies	558	572
	<u>17,420</u>	<u>25,572</u>
Total pupil services	1,053,498	765,045
Instructional staff services:		
Improvement of instruction:		
Salaries:		
Coordinator	117,342	113,123
Instructional consultants	123,663	225,747
Clerical	72,102	53,149
Substitutes	3,034	2,955
Other	1,470	2,740
Employee benefits:		
Employee insurance	59,214	68,185
Board paid annuities	12,851	7,331
Retirement	51,169	57,282
Social Security	22,641	28,600
Workers' compensation insurance	734	443
Cash in lieu of benefits	3,605	9,041
Professional services	10,160	1,982
Local mileage	641	1,586
Workshops and conferences	62,957	93,001
Telephone	1,042	1,100
Postage	716	-
Printing and binding	1,216	133
Other purchased services	-	959
Teaching supplies	83,549	59,752
Office supplies	7,986	5,482
Other supplies and materials	17,737	29,912
New equipment and furniture	-	2,519
Dues and fees	32,934	16,915
	<u>686,763</u>	<u>781,937</u>
Library:		
Salaries:		
Media specialists	31,186	24,050
Assistants	116,981	75,849
Severance pay	5,428	3,015
Employee benefits:		
Employee insurance	3,468	635
Early retirement incentive	22,968	22,968
Retirement	24,295	14,679
Social Security	12,840	8,880
Cash in lieu of benefits	2,784	1,960
Equipment repair and maintenance	168	306
Teaching supplies	4,138	1,735
Library books	13,081	108,202
Periodicals	2,280	1,551
Supplies	2,631	1,144
	<u>242,248</u>	<u>264,974</u>

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Technology assisted instruction:		
New equipment and furniture	\$ -	\$ (741)
Supervision and direction of instruction:		
Salaries:		
Directors	157,688	151,039
Clerical	61,651	45,647
Employee benefits:		
Employee insurance	38,566	38,303
Board paid annuities	4,422	4,256
Retirement	35,435	28,355
Social Security	16,776	14,872
Cash in lieu of benefits	3,367	-
Local travel	1,546	1,596
Workshops and conferences	3,199	3,336
Mailing and postage	118	380
Printing and binding	68	-
Office supplies	1,639	1,146
New equipment and furniture	1,022	-
Replacement equipment and furniture	327	4,414
	<u>325,824</u>	<u>293,344</u>
Total instructional staff services	1,254,835	1,339,514
General administrative services:		
Board of education:		
Election workers' salaries	1,104	-
Employee benefits:		
Workers' compensation insurance	21,010	51,590
Unemployment compensation	15,831	60,883
Purchased services	-	346
Employee medical services	8,616	2,795
Legal services	37,680	56,958
Audit services	23,350	23,428
Professional services	10,416	15,858
Local travel	7,883	7,861
Workshops and conferences	4,109	7,403
Telephone	11,594	10,300
Printing and binding	4,182	5,132
Other purchased services	12,585	12,317
Other supplies and materials	1,430	594
Dues and fees	2,850	11,609
Tax refunds	34,825	53,531
Miscellaneous	7,940	23,023
	<u>205,405</u>	<u>343,628</u>
Executive administration:		
Salaries:		
Superintendent	133,472	127,463
Clerical	80,913	118,399
Other	7,800	7,800

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Executive administration: (Continued)		
Employee benefits:		
Employee insurance	\$ 48,941	\$ 41,763
Board paid annuities	12,228	11,763
Retirement	35,914	37,245
Social Security	14,427	17,016
Cash in lieu of benefits	3,847	8,289
Contracted services	20,000	-
Local mileage	22	16
Workshops and conferences	10,558	6,949
Printing and binding	6,666	5,098
Office supplies	319	281
New equipment and furniture	16,029	-
Dues and fees	203	680
Miscellaneous	7,221	4,830
	<u>398,560</u>	<u>387,592</u>
Total general administrative services	603,965	731,220
School administrative services:		
Office of the principal:		
Salaries:		
Principals	895,918	667,390
Clerical	181,312	160,691
Severance pay	-	1,508
Employee benefits:		
Employee insurance	205,060	153,222
Board paid annuities	39,001	32,087
Retirement	171,808	118,774
Social Security	81,183	62,445
Cash in lieu of benefits	8,244	8,563
Office supplies	20,387	16,966
Miscellaneous	283	5
	<u>1,603,196</u>	<u>1,221,651</u>
Other school administration:		
Clerical salaries	-	7,005
Employee benefits:		
Retirement	-	1,014
Social Security	-	528
	<u>-</u>	<u>8,547</u>
Total school administrative services	1,603,196	1,230,198
Business services:		
Fiscal services:		
Salaries:		
Finance/operations director	94,101	90,628
Accounting	176,155	148,397
Severance pay	-	3,826
Employee benefits:		
Employee insurance	62,233	50,796
Board paid annuities	6,273	6,034

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Fiscal services: (Continued)		
Employee benefits: (Continued)		
Retirement	\$ 42,277	\$ 35,227
Social Security	19,926	18,756
Cash in lieu of benefits	10,408	10,347
Professional services	1,183	3,644
Local mileage	325	368
Workshops and conferences	1,360	1,352
Printing and binding	82	-
Office supplies	10,771	11,928
Dues and fees	213	238
Miscellaneous	6,943	(4)
	<u>432,250</u>	<u>381,537</u>
Internal services:		
Assistants salaries	40,646	32,556
Employee benefits:		
Employee insurance	373	-
Retirement	6,503	4,702
Social security	3,109	2,491
Contracted services	(206)	6,842
Equipment repair and maintenance	1,523	982
Other supplies and materials	41,006	36,098
	<u>92,954</u>	<u>83,671</u>
Other business services:		
Public liability insurance	6,824	6,865
Building insurance	90,085	78,735
Other insurance and bonds	-	1,562
Equipment rental	7,242	6,924
Equipment and furniture	-	10,695
Interest expense	37,123	31,205
	<u>141,274</u>	<u>135,986</u>
Total business services	666,478	601,194
Operation and maintenance services:		
Operation and maintenance:		
Salaries:		
Supervisor	51,406	47,528
Auditorium manager	3,385	11,274
Management team	-	1,500
Clerical	31,477	30,865
Custodial	700,630	597,348
Maintenance	4,854	7,836
Other	13,260	10,396
Substitutes	45,591	31,212
Overtime	18,693	18,860
Severance pay	-	4,075
Employee benefits:		
Employee insurance	83,290	107,441
Retirement	133,737	107,658
Social Security	66,924	58,053
Cash in lieu of benefits	11,927	6,252

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Operation and maintenance: (Continued)		
Other professional services	\$ 335,248	\$ 193,211
Workshops and conferences	4,762	2,216
Telephone	57,292	84,502
Mailing and postage	20,914	18,299
Water and sewer	75,728	73,899
Waste and trash disposal	50,099	48,735
Land/building repair and maintenance	32,151	38,039
Equipment repairs and maintenance	12,151	9,300
Vehicle repairs and maintenance	113	-
Heating	396,862	211,377
Electricity	351,653	296,361
Custodial supplies	84,413	62,395
Parts and supplies	71,921	55,265
Grounds supplies	9,069	8,670
Gasoline, oil and grease	64	172
Other supplies and materials	3,133	4,229
New equipment and furniture	2,895	9,745
Miscellaneous	-	2,337
Total operation and maintenance services	2,673,642	2,159,050
Pupil transportation services:		
Pupil transportation:		
Salaries:		
Supervisor	45,804	44,064
Bus drivers	342,663	267,262
Assistants	37,338	39,041
Dispatch	47,512	52,575
Mechanics	68,348	44,278
Bus washers	24,000	26,340
Substitutes	36,644	43,116
Overtime	20,465	9,977
Severance pay	-	1,958
Employee benefits:		
Employee insurance	43,108	28,848
Retirement	98,629	75,040
Social Security	47,091	40,361
Cash in lieu of benefits	2,245	2,160
Professional services	6,749	8,283
Local mileage	695	971
Workshops and conferences	1,262	2,612
Pupil transportation	5,365	10,999
Telephone	1,037	813
Printing and binding	571	249
Transportation insurance	27,087	26,647
Vehicle repair and maintenance	53,142	110,262
Gasoline, oil and grease	128,806	107,567
Tires, tubes and batteries	12,982	13,043
Vehicle repair parts	78,357	58,744
Other transportation supplies	816	14,853

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Pupil transportation: (Continued)		
Office supplies	\$ 1,492	\$ 1,466
Miscellaneous supplies	1,575	1,650
New equipment and furniture	1,686	15,900
New vehicles	13,327	-
New school buses	-	654,627
Dues and fees	299	525
Miscellaneous	4,640	2,280
Total pupil transportation services	1,153,735	1,706,511
Central services:		
Planning/research/development:		
Professional services	31,169	12,124
Local travel	8,159	925
Workshops and conferences	5,012	2,148
Supplies	20,835	14,987
Dues and fees	2,845	154
	68,020	30,338
Personnel services:		
Clerical salaries	23,378	-
Employee benefits:		
Employee insurance	7,683	-
Retirement	6,329	-
Social Security	2,911	-
Cash in lieu of benefits	3,325	-
Professional and technical services	32,805	-
Local travel	270	-
Workshops and conferences	149	-
Advertising	129	-
Miscellaneous supplies	556	-
	77,535	-
Technology services:		
Salaries:		
Technicians	231,617	192,162
Other	27,342	10,902
Employee benefits:		
Employee insurance	67,803	50,333
Board paid annuities	4,623	4,447
Retirement	42,405	29,425
Social Security	19,761	15,118
Cash in lieu of benefits	7,252	5,453
Other professional services	32,971	63,284
Local travel	81	-
Workshops and conferences	19,763	7,070
Telephone	7,196	7,665
Miscellaneous supplies	101,202	31,856
New equipment and furniture	143,397	96,674
Miscellaneous	34,258	47,210
	739,671	561,599
Total central services	885,226	591,937

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Capital outlay:		
Site improvements	\$ 43,710	\$ 66,423
Replacement vehicles	-	10,675
Buildings and additions	60,143	17,171
Total capital outlay	103,853	94,269
Debt service:		
Principal repayment	-	101,090
Interest and fiscal charges	11,908	13,096
Total debt service	11,908	114,186
Interdistrict:		
Special education - tuition	284,672	218,070
Special education - transportation	972,599	688,018
Special education - itinerents	870,013	957,141
Other	21,100	19,083
Total interdistrict	2,148,384	1,882,312
Total Expenditures	\$ 29,071,571	\$ 26,719,640

NONMAJOR FUNDS

CEDAR SPRINGS PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2006

	Special Revenue			
	Food Service	Athletics	Enrichment Child Care	Enrichment Preschool
Assets				
Cash	\$ 847	\$ -	\$ -	\$ -
Cash equivalents, deposits and investments	189,568	37,642	30,529	26,845
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	11,956	93,050	-	-
Due from other governmental units	-	-	-	-
Inventory	5,210	-	-	-
Total Assets	\$ 207,581	\$ 130,692	\$ 30,529	\$ 26,845
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 7,127	\$ -	\$ -	\$ 58
Due to other funds	102,427	13,784	25,042	117
Salaries payable	-	-	-	5,893
Deferred revenue	-	-	-	-
Total Liabilities	109,554	13,784	25,042	6,068
Fund Balances				
Reserved for debt service	-	-	-	-
Reserved for capital outlay	-	-	-	-
Unreserved:				
Undesignated	98,027	116,908	5,487	20,777
Total Fund Balances	98,027	116,908	5,487	20,777
Total Liabilities and Fund Balances	\$ 207,581	\$ 130,692	\$ 30,529	\$ 26,845

School Store	Debt Service				Capital Projects		Total
	1998	2003	2006	Durant	1995 Construction	Durant	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847
3,465	53,335	159,685	185	-	985	2,444	504,683
-	3,092	9,958	-	-	-	-	13,050
-	-	-	-	-	-	-	-
-	102,387	6,629	-	-	-	-	214,022
-	736	-	-	-	-	-	736
-	-	-	-	-	-	-	5,210
<u>\$ 3,465</u>	<u>\$159,550</u>	<u>\$176,272</u>	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ 985</u>	<u>\$ 2,444</u>	<u>\$738,548</u>
\$ 62	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,247
-	-	99,331	100	-	-	-	240,801
-	-	-	-	-	-	-	5,893
-	3,092	9,958	-	-	-	-	13,050
<u>62</u>	<u>3,092</u>	<u>109,289</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,991</u>
-	156,458	66,983	85	-	-	-	223,526
-	-	-	-	-	985	2,444	3,429
<u>3,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,602</u>
<u>3,403</u>	<u>156,458</u>	<u>66,983</u>	<u>85</u>	<u>-</u>	<u>985</u>	<u>2,444</u>	<u>471,557</u>
<u>\$ 3,465</u>	<u>\$159,550</u>	<u>\$176,272</u>	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ 985</u>	<u>\$ 2,444</u>	<u>\$738,548</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2006

	Special Revenue			
	Food Service	Athletics	Enrichment Child Care	Enrichment Preschool
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest earnings	570	191	185	96
Sales and admissions	512,427	150,974	-	-
Other local sources	-	-	175,885	66,215
Total local sources	512,997	151,165	176,070	66,311
State sources	61,365	-	28,221	-
Federal sources	427,497	-	-	-
Total Revenues	1,001,859	151,165	204,291	66,311
Expenditures				
Current:				
Community services	-	-	246,293	75,527
Food service	1,103,247	-	-	-
Athletics	-	572,804	-	-
School store	-	-	-	-
Debt service:				
Principal repayment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Underwriter's discount	-	-	-	-
Total Expenditures	1,103,247	572,804	246,293	75,527
Excess (Deficiency) of Revenues Over Expenditures	(101,388)	(421,639)	(42,002)	(9,216)
Other Financing Sources				
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	367,600	-	-
Payment to escrow agent	-	-	-	-
Total Other Financing Sources	-	367,600	-	-
Net Change in Fund Balances	(101,388)	(54,039)	(42,002)	(9,216)
Fund Balances, July 1	199,415	170,947	47,489	29,993
Fund Balances, June 30	\$ 98,027	\$ 116,908	\$ 5,487	\$ 20,777

School Store	Debt Service				Capital Projects		Total
	1998	2003	2006	Durant	1995 Construction	Durant	
\$ -	\$ 812,641	\$2,451,077	\$ 100	\$ -	\$ -	\$ -	\$3,263,818
-	1,429	11,080	-	-	36	6	13,593
4,878	-	-	-	-	-	-	668,279
387	-	-	-	-	-	-	242,487
5,265	814,070	2,462,157	100	-	36	6	4,188,177
-	-	-	-	41,942	-	-	131,528
-	-	-	-	-	-	-	427,497
5,265	814,070	2,462,157	100	41,942	36	6	4,747,202
-	-	-	-	-	-	-	321,820
-	-	-	-	-	-	-	1,103,247
-	-	-	-	-	-	-	572,804
1,862	-	-	-	-	-	-	1,862
-	90,000	1,740,000	-	28,910	-	-	1,858,910
-	942,456	1,386,863	15	13,032	-	-	2,342,366
-	-	80,739	-	-	-	-	80,739
-	-	37,425	-	-	-	-	37,425
1,862	1,032,456	3,245,027	15	41,942	-	-	6,319,173
3,403	(218,386)	(782,870)	85	-	36	6	(1,571,971)
-	-	7,485,000	-	-	-	-	7,485,000
-	-	424	-	-	-	-	424
-	368,546	661,454	-	-	-	-	1,030,000
-	-	-	-	-	-	-	367,600
-	-	(7,548,701)	-	-	-	-	(7,548,701)
-	368,546	598,177	-	-	-	-	1,334,323
3,403	150,160	(184,693)	85	-	36	6	(237,648)
-	6,298	251,676	-	-	949	2,438	709,205
\$ 3,403	\$ 156,458	\$ 66,983	\$ 85	\$ -	\$ 985	\$ 2,444	\$ 471,557

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 1,000	\$ 570	\$ (430)
Sales and admissions	<u>501,500</u>	<u>512,427</u>	<u>10,927</u>
Total local sources	502,500	512,997	10,497
State sources	25,000	61,365	36,365
Federal sources	<u>401,500</u>	<u>427,497</u>	<u>25,997</u>
Total Revenues	<u>929,000</u>	<u>1,001,859</u>	<u>72,859</u>
Expenditures			
Current:			
Food service	<u>929,000</u>	<u>1,103,247</u>	<u>(174,247)</u>
Net Change in Fund Balances	-	(101,388)	(101,388)
Fund Balances, July 1	<u>199,415</u>	<u>199,415</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 199,415</u></u>	<u><u>\$ 98,027</u></u>	<u><u>\$ (101,388)</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 200	\$ 191	\$ (9)
Sales and admissions	137,378	150,974	13,596
Total Revenues	<u>137,578</u>	<u>151,165</u>	<u>13,587</u>
Expenditures			
Current:			
Athletics	505,178	572,804	(67,626)
Excess (Deficiency) of Revenues Over Expenditures	<u>(367,600)</u>	<u>(421,639)</u>	<u>(54,039)</u>
Other Financing Sources			
Transfers in	367,600	367,600	-
Net Change in Fund Balances	-	(54,039)	(54,039)
Fund Balances, July 1	<u>170,947</u>	<u>170,947</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 170,947</u></u>	<u><u>\$ 116,908</u></u>	<u><u>\$ (54,039)</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 150	\$ 185	\$ 35
Other local sources	164,850	175,885	11,035
Total local sources	<u>165,000</u>	<u>176,070</u>	<u>11,070</u>
State sources	<u>30,000</u>	<u>28,221</u>	<u>(1,779)</u>
Total Revenues	<u>195,000</u>	<u>204,291</u>	<u>9,291</u>
Expenditures			
Current:			
Community services	<u>195,000</u>	<u>246,293</u>	<u>(51,293)</u>
Net Change in Fund Balances	-	(42,002)	(42,002)
Fund Balances, July 1	<u>47,489</u>	<u>47,489</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 47,489</u></u>	<u><u>\$ 47,489</u></u>	<u><u>\$ -</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ -	\$ 96	\$ 96
Other local sources	54,000	66,215	12,215
Total Revenues	<u>54,000</u>	<u>66,311</u>	<u>12,311</u>
Expenditures			
Current:			
Community services	54,000	75,527	(21,527)
Net Change in Fund Balances	-	(9,216)	(9,216)
Fund Balances, July 1	<u>29,993</u>	<u>29,993</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 29,993</u></u>	<u><u>\$ 20,777</u></u>	<u><u>\$ (9,216)</u></u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

Enrichment Child Care—to account for tuition revenues used in administering the child care program of the District.

Enrichment Preschool—to account for tuition revenues used in administering the preschool program of the District.

School Store—to account for sales and donation revenues used in administering the school store program of the District.

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash	\$ 847	\$ 847
Cash equivalents, deposits and investments	189,568	265,107
Accounts receivable	-	433
Due from other funds	11,956	14,924
Inventory	5,210	6,901
Prepaid expenditures	-	1,122
Total Assets	<u><u>\$ 207,581</u></u>	<u><u>\$ 289,334</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 7,127	\$ 9,199
Due to other funds	102,427	80,720
Total Liabilities	<u>109,554</u>	<u>89,919</u>
Fund Balances		
Unreserved:		
Undesignated	98,027	199,415
Total Liabilities and Fund Balances	<u><u>\$ 207,581</u></u>	<u><u>\$ 289,334</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	2006	2005
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 497,777	\$ 318,193
Adult lunches	137	15,867
Ala carte	1,365	134,083
Catering	10,728	22,421
Refunds	2,417	7,314
Other	3	1,916
	<u>512,427</u>	<u>499,794</u>
Interest earnings:		
Interest on deposits and investments	570	617
Total local sources	<u>512,997</u>	<u>500,411</u>
State sources	61,365	58,374
Federal sources	<u>427,497</u>	<u>409,586</u>
Total Revenues	<u>1,001,859</u>	<u>968,371</u>
Expenditures		
Current:		
Food service:		
Salaries:		
Supervisor	-	33,891
Food service	315,085	254,120
Employee benefits:		
Employee insurance	56,044	88,923
Retirement	51,068	42,557
Social Security	24,332	22,100
Workers' compensation insurance	8,917	806
Cash in lieu of benefits	3,800	1,650
Workshops and conferences	-	179
Mailing and postage	675	702
Equipment repair and maintenance	2,200	4,675
Vehicle repair and maintenance	-	1,365
Other purchased services	104,927	-
Food	379,332	372,335
Milk	-	57,761
Gasoline, oil and grease	349	1,338
Other supplies and materials	42,618	31,077
New equipment and furniture	7,097	5,394
Replacement equipment and furniture	29,290	34,079
Dues and fees	-	2,238
Miscellaneous	2,513	13,273
Indirect cost allocation	<u>75,000</u>	<u>50,000</u>
Total Expenditures	<u>1,103,247</u>	<u>1,018,463</u>
Net Change in Fund Balances	(101,388)	(50,092)
Fund Balances, July 1	<u>199,415</u>	<u>249,507</u>
Fund Balances, June 30	<u><u>\$ 98,027</u></u>	<u><u>\$ 199,415</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 37,642	\$ 143,598
Due from other funds	93,050	28,780
Prepaid expenditures	<u>-</u>	<u>170</u>
Total Assets	<u><u>\$ 130,692</u></u>	<u><u>\$ 172,548</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 93
Due to other funds	<u>13,784</u>	<u>1,508</u>
Total Liabilities	<u>13,784</u>	<u>1,601</u>
Fund Balances		
Unreserved:		
Undesignated	<u>116,908</u>	<u>170,947</u>
Total Liabilities and Fund Balances	<u><u>\$ 130,692</u></u>	<u><u>\$ 172,548</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources:		
Sales and admissions:		
Admissions	\$ 70,186	\$ 67,172
Athletic fees	56,877	49,820
Tournaments	22,870	26,450
Donations	1,041	650
	<u>150,974</u>	<u>144,092</u>
Interest earnings:		
Interest on deposits and investments	<u>191</u>	<u>115</u>
Total Revenues	<u>151,165</u>	<u>144,207</u>
Expenditures		
Current:		
Athletics:		
Salaries:		
Director	81,936	76,677
Coaches	213,330	196,545
Clerical	23,812	18,200
Managers	9,050	11,862
Employee benefits:		
Employee insurance	2,752	5,882
Board paid annuities	4,016	3,759
Retirement	50,596	43,092
Social Security	25,645	23,402
Workers' compensation insurance	961	786
Cash in lieu of benefits	8,559	5,310
Purchased services	1,532	775
Officials	27,992	23,074
Transportation	35,372	31,509
Telephone	756	983
Mailing and postage	947	652
Printing and binding	1,181	1,497
Equipment repair and maintenance	10,038	6,498
Security	250	925
Office supplies	147	140
Other supplies and materials	26,140	21,081
New equipment and furniture	17,147	20,147
Dues and fees	30,645	33,357
	<u>572,804</u>	<u>526,153</u>
Total Expenditures	<u>572,804</u>	<u>526,153</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(421,639)</u>	<u>(381,946)</u>
Other Financing Sources		
Transfers in	<u>367,600</u>	<u>387,600</u>
Net Change in Fund Balances	(54,039)	5,654
Fund Balances, July 1	<u>170,947</u>	<u>165,293</u>
Fund Balances, June 30	<u><u>\$ 116,908</u></u>	<u><u>\$ 170,947</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 30,529	\$ 64,086
Accounts receivable	<u>-</u>	<u>2,360</u>
Total Assets	<u><u>\$ 30,529</u></u>	<u><u>\$ 66,446</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 25,042</u>	<u>\$ 18,957</u>
Fund Balances		
Unreserved:		
Undesignated	<u>5,487</u>	<u>47,489</u>
Total Liabilities and Fund Balances	<u><u>\$ 30,529</u></u>	<u><u>\$ 66,446</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources:		
Other local sources:		
Child care fees	\$ 175,885	\$ 178,810
Interest earnings:		
Interest on deposits and investments	185	135
Total local sources	<u>176,070</u>	<u>178,945</u>
State sources:		
Other	<u>28,221</u>	<u>37,013</u>
Total Revenues	<u>204,291</u>	<u>215,958</u>
Expenditures		
Current:		
Community services:		
Child care:		
Salaries:		
Supervisor	28,512	24,720
Child care	116,365	74,905
Employee benefits:		
Employee insurance	1,709	-
Retirement	22,784	13,856
Social Security	11,087	7,337
Workers' compensation insurance	5,293	279
Workshops and conferences	286	72
Field trips	3,931	5,869
Mailing and postage	31	13
Equipment repair and maintenance	60	326
Other supplies and materials	8,033	21,103
New equipment and furniture	1,171	-
Dues and fees	708	36
Miscellaneous	8,723	13,975
Indirect cost allocation	<u>37,600</u>	<u>18,678</u>
Total Expenditures	<u>246,293</u>	<u>181,169</u>
Net Change in Fund Balances	(42,002)	34,789
Fund Balances, July 1	<u>47,489</u>	<u>12,700</u>
Fund Balances, June 30	<u><u>\$ 5,487</u></u>	<u><u>\$ 47,489</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 26,845	\$ 36,930
Accounts receivable	<u>-</u>	<u>1,717</u>
Total Assets	<u><u>\$ 26,845</u></u>	<u><u>\$ 38,647</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 58	\$ -
Due to other funds	117	4,721
Salaries payable	<u>5,893</u>	<u>3,933</u>
Total Liabilities	<u>6,068</u>	<u>8,654</u>
Fund Balances		
Unreserved:		
Undesignated	<u>20,777</u>	<u>29,993</u>
Total Liabilities and Fund Balances	<u><u>\$ 26,845</u></u>	<u><u>\$ 38,647</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources:		
Other local revenue:		
Preschool fees	\$ 66,215	\$ 61,698
Interest earnings:		
Interest on deposits and investments	<u>96</u>	<u>97</u>
Total Revenues	<u>66,311</u>	<u>61,795</u>
Expenditures		
Current:		
Community services:		
Preschool:		
Salaries:		
Teachers	31,813	26,966
Teaching assistants	9,802	7,743
Substitutes	-	38
Employee benefits:		
Employee insurance	14,921	12,676
Retirement	6,521	5,101
Social Security	3,183	2,658
Workers' compensation insurance	117	97
Workshops and conferences	16	-
Field trips	-	173
Tuition	155	-
Other supplies and materials	1,618	384
Miscellaneous	1,441	6,353
Indirect cost allocation	<u>5,940</u>	<u>-</u>
Total Expenditures	<u>75,527</u>	<u>62,189</u>
Net Change in Fund Balances	<u>(9,216)</u>	<u>(394)</u>
Fund Balances, July 1	<u>29,993</u>	<u>30,387</u>
Fund Balances, June 30	<u><u>\$ 20,777</u></u>	<u><u>\$ 29,993</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
School Store Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 3,465	\$ -
Accounts receivable	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 3,465</u></u>	<u><u>\$ -</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 62	\$ -
Due to other funds	-	-
Salaries payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>62</u>	<u>-</u>
Fund Balances		
Unreserved:		
Undesignated	<u>3,403</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,465</u></u>	<u><u>\$ -</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
School Store Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources:		
Sales and admissions:		
Fund raising	\$ 4,878	\$ -
Other local revenue:		
Donations	<u>387</u>	<u>-</u>
Total Revenues	<u>5,265</u>	<u>-</u>
Expenditures		
Current:		
School store:		
Printing and binding	67	-
Other supplies and materials	755	-
Miscellaneous	<u>1,040</u>	<u>-</u>
Total Expenditures	<u>1,862</u>	<u>-</u>
Net Change in Fund Balances	3,403	-
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 3,403</u></u>	<u><u>\$ -</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

CEDAR SPRINGS PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2006

	<u>1998</u>	<u>2003</u>	<u>2006</u>	<u>Durant</u>
Assets				
Cash equivalents, deposits and investments	\$ 53,335	\$ 159,685	\$ 185	\$ -
Taxes receivable	3,092	9,958	-	-
Due from other funds	102,387	6,629	-	-
Due from other governmental units	<u>736</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 159,550</u></u>	<u><u>\$ 176,272</u></u>	<u><u>\$ 185</u></u>	<u><u>\$ -</u></u>
 Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ 99,331	\$ 100	\$ -
Deferred revenue	<u>3,092</u>	<u>9,958</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,092</u>	<u>109,289</u>	<u>100</u>	<u>-</u>
Fund Balances				
Reserved for debt service	<u>156,458</u>	<u>66,983</u>	<u>85</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 159,550</u></u>	<u><u>\$ 176,272</u></u>	<u><u>\$ 185</u></u>	<u><u>\$ -</u></u>

Totals	
2006	2005
\$ 213,205	\$ 247,056
13,050	23,559
109,016	1,311,111
736	736
<u>\$ 336,007</u>	<u>\$ 1,582,462</u>
\$ 99,431	\$ 1,300,929
13,050	23,559
<u>112,481</u>	<u>1,324,488</u>
<u>223,526</u>	<u>257,974</u>
<u>\$ 336,007</u>	<u>\$ 1,582,462</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	1998	2003	2006	Durant
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 796,909	\$ 2,402,837	\$ -	\$ -
Industrial facilities taxes	10,210	30,795	-	-
Delinquent property taxes	1,209	4,433	-	-
Interest on delinquent taxes	4,126	12,447	-	-
Other taxes	187	565	100	-
	812,641	2,451,077	100	
Interest earnings:				
Interest on deposits and investments	1,429	11,080	-	-
State sources:				
State aid	-	-	-	41,942
Total Revenues	814,070	2,462,157	100	41,942
Expenditures				
Debt service:				
Principal repayment	90,000	1,740,000	-	28,910
Interest and fiscal charges:				
Interest expense	941,239	1,385,361	-	13,032
Paying agent fees	-	500	-	-
Tax refunds	617	1,002	-	-
Miscellaneous	600	-	15	-
Bond issuance costs	-	80,739	-	-
Underwriter's discount	-	37,425	-	-
Total Expenditures	1,032,456	3,245,027	15	41,942
Excess (Deficiency) of Revenues Over Expenditures	(218,386)	(782,870)	85	-
Other Financing Sources				
Refunding bonds issued	-	7,485,000	-	-
Bond premium	-	424	-	-
Loan proceeds	368,546	661,454	-	-
Payments to escrow agent	-	(7,548,701)	-	-
Total Other Financing Sources (Uses)	368,546	598,177	-	-
Net Change in Fund Balances	150,160	(184,693)	85	-
Fund Balances, July 1	6,298	251,676	-	-
Fund Balances, June 30	\$ 156,458	\$ 66,983	\$ 85	\$ -

Totals	
2006	2005
\$ 3,199,746	\$ 2,969,166
41,005	41,841
5,642	1,703
16,573	12,018
852	583
3,263,818	3,025,311
12,509	17,126
41,942	-
3,318,269	3,042,437
1,858,910	1,790,000
2,339,632	2,545,753
500	2,595
1,619	149
615	49
80,739	-
37,425	-
4,319,440	4,338,546
(1,001,171)	(1,296,109)
7,485,000	-
424	-
1,030,000	980,000
(7,548,701)	-
966,723	980,000
(34,448)	(316,109)
257,974	574,083
\$ 223,526	\$ 257,974

CAPITAL PROJECTS FUNDS

1995 Construction—to account for bond proceeds used to finance building construction and improvement projects.

2003 Construction—to account for bond proceeds used to finance building construction and improvement projects.

Durant Capital Projects—to account for Durant settlement bond proceeds to be used for specified capital outlay expenditures.

CEDAR SPRINGS PUBLIC SCHOOLS
1995 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 985</u>	<u>\$ 949</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Reserved for capital outlay	<u>985</u>	<u>949</u>
Total Liabilities and Fund Balances	<u>\$ 985</u>	<u>\$ 949</u>

CEDAR SPRINGS PUBLIC SCHOOLS
1995 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	<u>\$ 36</u>	<u>\$ 16</u>
Expenditures	<u>-</u>	<u>-</u>
Net Change in Fund Balances	36	16
Fund Balances, July 1	<u>949</u>	<u>933</u>
Fund Balances, June 30	<u><u>\$ 985</u></u>	<u><u>\$ 949</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
2003 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 569,147</u>	<u>\$ 7,753,794</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 66,812	\$ 1,593,418
Due to other funds	<u>2,676</u>	<u>2,676</u>
Total Liabilities	<u>69,488</u>	<u>1,596,094</u>
Fund Balances		
Reserved for capital outlay	<u>499,659</u>	<u>6,157,700</u>
Total Liabilities and Fund Balances	<u>\$ 569,147</u>	<u>\$ 7,753,794</u>

CEDAR SPRINGS PUBLIC SCHOOLS
2003 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ (177,847)	\$ 151,024
Expenditures		
Capital outlay:		
Architect fees	53,293	458,914
Construction manager fees	101,005	1,133,227
Other professional services	-	13,604
Insurance and bonds	-	8,150
Buildings and additions	4,217,141	14,315,332
New equipment and furniture	1,108,755	458,816
Total Expenditures	<u>5,480,194</u>	<u>16,388,043</u>
Net Change in Fund Balances	(5,658,041)	(16,237,019)
Fund Balances, July 1	<u>6,157,700</u>	<u>22,394,719</u>
Fund Balances, June 30	<u><u>\$ 499,659</u></u>	<u><u>\$ 6,157,700</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Durant Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 2,444</u>	<u>\$ 2,438</u>
Liabilities and Fund Balances		
Liabilities	\$ -	\$ -
Fund Balances		
Reserved for capital outlay	<u>2,444</u>	<u>2,438</u>
Total Liabilities and Fund Balances	<u>\$ 2,444</u>	<u>\$ 2,438</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Durant Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Interest earnings:		
Interest on deposits and investments	<u>\$ 6</u>	<u>\$ 7</u>
Expenditures	<u>-</u>	<u>-</u>
Net Change in Fund Balances	6	7
Fund Balances, July 1	<u>2,438</u>	<u>2,431</u>
Fund Balances, June 30	<u><u>\$ 2,444</u></u>	<u><u>\$ 2,438</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

CEDAR SPRINGS PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2006

	<u>Balances</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2006</u>
Assets				
Cash equivalents, deposits and investments	\$ 170,417	\$ 368,016	\$ 386,640	\$ 151,793
Accounts receivable	-	15,129	-	15,129
Due from other funds	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Assets	<u><u>\$ 170,417</u></u>	<u><u>\$ 383,645</u></u>	<u><u>\$ 386,640</u></u>	<u><u>\$ 167,422</u></u>
Liabilities				
Due to other funds	\$ -	\$ 1,718	\$ -	\$ 1,718
Due to student groups	<u>165,704</u>	<u>381,927</u>	<u>386,640</u>	<u>165,704</u>
Total Liabilities	<u><u>\$ 165,704</u></u>	<u><u>\$ 383,645</u></u>	<u><u>\$ 386,640</u></u>	<u><u>\$ 167,422</u></u>

OTHER INFORMATION

CEDAR SPRINGS PUBLIC SCHOOLS
Summary of 2005 Taxes Levied and Collected
For the year ended June 30, 2006

	County of Kent			
	City of Cedar Springs	Algoma	Courtland	Nelson
Taxable Valuations				
Operating	\$ 37,186,383	\$ 12,323,906	\$ 10,472,203	\$ 8,775,191
Debt Service	68,185,216	61,159,877	69,253,925	85,538,628
Rates (Mills)				
General Fund				
1998 Debt Service Fund				
2003 Debt Service Fund				
Taxes Levied 2005 Rolls				
General Fund	\$ 669,354	\$ 221,830	\$ 188,499	\$ 157,952
1998 Debt Service Fund	118,846	106,601	120,708	149,092
2003 Debt Service Fund	358,447	321,515	364,065	449,672
	<u>1,146,647</u>	<u>649,946</u>	<u>673,272</u>	<u>756,716</u>
Taxes Uncollected 2005 Rolls				
General Fund	2,020	-	72	-
1998 Debt Service Fund	196	-	7	-
2003 Debt Service Fund	489	-	21	-
	<u>2,705</u>	<u>-</u>	<u>100</u>	<u>-</u>
Taxes Collected 2005 Rolls				
General Fund	667,334	221,830	188,427	157,952
1998 Debt Service Fund	118,650	106,601	120,701	149,092
2003 Debt Service Fund	357,958	321,515	364,044	449,672
	<u>1,143,942</u>	<u>649,946</u>	<u>673,172</u>	<u>756,716</u>
Delinquent Taxes Collected				
General Fund	1,623	-	-	703
1998 Debt Service Fund	34	-	-	1
2003 Debt Service Fund	624	-	-	272
	<u>2,281</u>	<u>-</u>	<u>-</u>	<u>976</u>
Total Taxes Collected				
General Fund	668,957	221,830	188,427	158,655
1998 Debt Service Fund	118,684	106,601	120,701	149,093
2003 Debt Service Fund	358,582	321,515	364,044	449,944
	<u>\$ 1,146,223</u>	<u>\$ 649,946</u>	<u>\$ 673,172</u>	<u>\$ 757,692</u>
Taxes Uncollected – June 30, 2006				
General Fund:				
2005	\$ 2,020	\$ -	\$ 72	\$ -
2004	3,795	1,242	16	2,208
2003	-	3,349	5,775	-
	<u>5,815</u>	<u>4,591</u>	<u>5,863</u>	<u>2,208</u>
1998 Debt Service Fund:				
2005	196	-	7	-
2004	170	1	-	2
2003	-	696	859	-
	<u>366</u>	<u>697</u>	<u>866</u>	<u>2</u>
2003 Debt Service Fund:				
2005	489	-	21	-
2004	736	482	7	857
2003	-	733	1,388	-
	<u>1,225</u>	<u>1,215</u>	<u>1,416</u>	<u>857</u>
Total Taxes Uncollected	<u>\$ 7,406</u>	<u>\$ 6,503</u>	<u>\$ 8,145</u>	<u>\$ 3,067</u>

				County of Newaygo
Townships				
Oakfield	Solon	Spencer	Ensley	Total
\$ 3,798,431	\$ 21,952,449	\$ 8,458,740	\$ 85,617	\$103,052,920
28,543,390	102,766,450	40,689,271	1,112,494	457,249,251
				18.0000
				1.7430
				5.2570
				25.0000
\$ 68,371	\$ 395,143	\$ 151,846	\$ 1,523	\$ 1,854,518
49,751	179,920	70,919	1,939	797,776
150,051	540,238	213,895	5,848	2,403,731
268,173	1,115,301	436,660	9,310	5,056,025
-	1,988	126	-	4,206
-	223	52	-	478
-	674	156	-	1,340
-	2,885	334	-	6,024
68,371	393,155	151,720	1,523	1,850,312
49,751	179,697	70,867	1,939	797,298
150,051	539,564	213,739	5,848	2,402,391
268,173	1,112,416	436,326	9,310	5,050,001
-	9,569	-	-	11,895
-	1,174	-	-	1,209
-	3,537	-	-	4,433
-	14,280	-	-	17,537
68,371	402,724	151,720	1,523	1,862,207
49,751	180,871	70,867	1,939	798,507
150,051	543,101	213,739	5,848	2,406,824
\$ 268,173	\$ 1,126,696	\$ 436,326	\$ 9,310	\$ 5,067,538
\$ -	\$ 1,988	\$ 126	\$ -	\$ 4,206
421	2,587	-	-	10,269
1,832	10,229	-	-	21,185
2,253	14,804	126	-	35,660
-	223	52	-	478
1	13	-	-	187
367	465	40	-	2,427
368	701	92	-	3,092
-	674	156	-	1,340
163	1,177	-	-	3,422
359	2,651	65	-	5,196
522	4,502	221	-	9,958
\$ 3,143	\$ 20,007	\$ 439	\$ -	\$ 48,710

**CEDAR SPRINGS
PUBLIC SCHOOLS**
Kent and Newaygo Counties, Michigan

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2006

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CEDAR SPRINGS PUBLIC SCHOOLS

For the year ended June 30, 2006

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Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

September 22, 2006

The Board of Education
Cedar Springs Public Schools
Cedar Springs, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Springs Public Schools as of and for the year ended June 30, 2006, which collectively comprise Cedar Springs Public School's basic financial statements and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar Springs Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The Board of Education
Cedar Springs Public Schools
September 22, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Springs Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

September 22, 2006

The Board of Education
Cedar Springs Public Schools
Cedar Springs, Michigan

Compliance

We have audited the compliance of Cedar Springs Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Cedar Springs Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cedar Springs Public School's management. Our responsibility is to express an opinion of Cedar Springs Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar Springs Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cedar Springs Public School's compliance with those requirements.

In our opinion, Cedar Springs Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Cedar Springs Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cedar Springs Public School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Springs Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Cedar Springs Public School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Austin, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CEDAR SPRINGS PUBLIC SCHOOLS

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
0515300405		\$313,325
0615300506		315,269
Total Title I		628,594
Title IIA:	84.367	
0505200405		130,987
0605200506		161,062
Total Title IIA		292,049
Title IID:	84.318	
0542900405		7,963
0642900506		5,882
Total Title IID		13,845
Title III:	84.365	
0505800405		21,437
0605800506		27,652
Total Title III		49,089
Title V:	84.298	
0502500405		2,065
0602500506		1,405
Total Title V		3,470
Total Passed Through MDE		987,047

(Continued)

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
\$29,557	\$312,060	\$265 266,410	\$29,822 187,322	\$79,088
29,557	312,060	266,675	217,144	79,088
(706)	130,281	706 123,007	68,979	54,028
(706)	130,281	123,713	68,979	54,028
(20)	7,943	20 5,462	5,482	(20)
(20)	7,943	5,482	5,482	(20)
(91)	21,468	(31) 26,285	(122) 663	25,622
(91)	21,468	26,254	541	25,622
	2,065	1,405	1,405	
—	2,065	1,405	1,405	—
28,740	473,817	423,529	293,551	158,718

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**CEDAR SPRINGS PUBLIC SCHOOLS**

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186	
052860-0405 Program		\$14,231
062860-0506 Program		10,043
		<hr/>
Total Safe Drug Free Schools and Communities Act		24,274
		<hr/>
Special Education Cluster:		
I.D.E.A. – Flow Through:	84.027	
Flow Through – 0504500405		598,198
Flow Through – 0604500506		641,426
		<hr/>
Total I.D.E.A. – Flow Through		1,239,624
		<hr/>
I.D.E.A. – TMT:	84.027A	
TMT – 0504800405		701
		<hr/>
I.D.E.A. – Preschool:	84.173	
Preschool – 0504600405		24,284
Preschool – 0604600506		27,309
		<hr/>
Total I.D.E.A. – Preschool		51,593
		<hr/>
Total Special Education Cluster		1,291,918
		<hr/>
Total Passed Through KISD		1,316,192
		<hr/>
Total U.S. Department of Education		2,303,239
		<hr/>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid	93.778	10,052
		<hr/>
Total U.S. Department of Health and Human Services		10,052
		<hr/>

(Continued)

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
(\$3,466)	\$6,495	\$3,466 10,043	\$10,043	
(3,466)	6,495	13,509	10,043	—
255,059	598,197	641,426	255,059 417,211	\$224,215
255,059	598,197	641,426	672,270	224,215
186	600		186	
9,142	24,283	27,309	9,142 17,299	10,010
9,142	24,283	27,309	26,441	10,010
264,387	623,080	668,735	698,897	234,225
260,921	629,575	682,244	708,940	234,225
289,661	1,103,392	1,105,773	1,002,491	392,943
	1,310	10,052	10,052	
—	1,310	10,052	10,052	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**CEDAR SPRINGS PUBLIC SCHOOLS**

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Agriculture Nutrition Cluster		
Passed Through Michigan Department of Education (MDE):		
National School Lunch Program:		
Lunches:		
Section 4 – Total Servings – 1950	10.555	\$70,920
Section 11 – Free and Reduced – 1960		258,651
Total Lunches		329,571
Breakfast:		
Total Servings – 1970	10.553	14,944
Free and Reduced – 1970		52,232
Total Breakfast		67,176
USDA Commodities:		
Bonus Commodities	10.550	669
Entitlement Commodities		30,082
Total USDA Commodities		30,751
Total U.S. Department of Agriculture (Passed Through MDE)		427,498
Total Federal Financial Assistance		\$2,740,789

- Notes: 1. This schedule was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.
2. The amounts reported on the R7120, Grant Section Auditors Report, reconcile with this schedule.
3. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities.

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
	\$59,101	\$70,920	\$70,920	
	227,596	258,651	258,651	
—	286,697	329,571	329,571	—
	12,883	14,944	14,944	
	48,864	52,232	52,232	
—	61,747	67,176	67,176	—
	5,219	669	669	
	55,850	30,082	30,082	
—	61,069	30,751	30,751	—
—	409,513	427,498	427,498	—
\$289,661	\$1,514,215	\$1,543,323	\$1,440,041	\$392,943

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CEDAR SPRINGS PUBLIC SCHOOLS

For the year ended June 30, 2006

Section I – Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A and
type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CEDAR SPRINGS PUBLIC SCHOOLS

For the year ended June 30, 2006

Note A – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$266,675	\$266,675	
Title IIA	123,713	123,713	
Title IID	5,482	5,482	
Title III	26,254	26,254	
Title V	1,405	1,405	
Safe and Drug Free Schools and Communities Act	13,509	13,509	
I.D.E.A.	668,735	668,735	
School Based Medicaid	10,052	10,052	
Nutrition Cluster	427,498	427,498	
	\$1,543,323	\$1,543,323	—

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

September 22, 2006

The Board of Education
Cedar Springs Public Schools

The following comments pertain to our audit of the financial records of Cedar Springs Public Schools as of and for the year ended June 30, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Cedar Springs Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Cedar Springs Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Cedar Springs Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Cedar Springs Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Cedar Springs Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Cedar Springs Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cedar Springs Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statements of Cedar Springs Public Schools for the year ended June 30, 2006. We found the internal control structure and accounting system to be basically adequate and operating in the manner intended.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$7,689 to record 2005 delinquent personal property taxes receivable and \$16,665 to write off uncollected 2002 taxes receivable at June 30, 2006.

Debt Funds

1. \$3,824 to record 2005 delinquent personal property taxes receivable and \$6,685 to write off uncollected 2002 taxes receivable at June 30, 2006.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Cedar Springs Public Schools.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Cedar Springs Public Schools to the Director of Finance and Operations, District Accountant and Payroll Specialist as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

Other Comments

The General Fund balance of the District decreased by \$592,905 to \$3,165,463 at June 30, 2006. This balance represents 10.5 percent of the District's 2006-07 expenditure budget. The balance at June 30, 2005 was 13 percent. Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Cedar Springs Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Cedar Springs Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

This communication is intended solely for the information and use of the Cedar Springs Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Cedar Springs Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldrin, Nichols & Barten, P.C.

Certified Public Accountants